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UNCLAS BRASILIA 001544

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E.O. 12958: N/A

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SUBJECT: BRAZILIAN PRESIDENT AT GLOBAL FORUM VOWS TO CRACK  
DOWN ON CORRUPTION

REF: BRASILIA 1494

1. (SBU) Brazilian President Lula da Silva used the occasion of the Fourth Global Forum Against Corruption, being held this week in Brasilia, to announce a firm response to the wave of corruption scandals that has been battering his administration in recent weeks. As noted in reftel, the GoB has been beset by corruption allegations reaching into several cabinet ministries and allied parties since mid-May. Lula's impulse has been to react slowly and not to "respond to the headlines". In the case of Congressman Roberto Jefferson, president of the allied PTB party, Lula became involved in machinations to quash a congressional inquiry into charges that Jefferson appointees at the Postal Service and the Brazilian Reinsurance Institute (IRB) took kickbacks and skimmed money for PTB party slush funds. Another bomb dropped this week as Jefferson, now in a purely defensive mode, alleged to the press that the treasurer of Lula's own Workers' Party (PT) paid US\$12,000 per month to buy votes in Congress over the past year.

2. (SBU) This allegation appears to have been the final straw for President Lula. Giving the opening remarks at the Global Forum on June 7, Lula seemed galvanized to put an end to press criticism and the bickering within his administration and coalition. Speaking before his entire cabinet (who reportedly got last minute command invitations) and the hundreds of assembled Forum participants, Lula announced that the presidents and directors of both the Postal Service and the IRB have been sacked, and that he and the PT party will welcome Congressional and law enforcement investigations into all allegations. Lula's tepid response to the serial corruption had been alienating to many old-line PT members who are still committed to the party's reputation for probity. In an effort to regain their confidence, he announced that the government "will not protect anyone" even if that means "cutting its own flesh". Beyond the Postal Service and IRB officials fired, the PT party treasurer, Delubio Soares, seems likely to lose his job. Left hanging are the fates of two cabinet officers: Central Bank President Henrique Meirelles and Social Security Minister Romero Juca who, separately, have criminal corruption charges pending before the Supreme Court. Lula is reportedly reluctant to remove Meirelles for fear of the impact on financial markets; though he is looking for a deal with his coalition that would allow him to fire Juca, of the allied PMDB party. Post will follow with further reporting on Global Forum events via septel.  
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